

CITY OF BLAKESBURG, IOWA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2011

CITY OF BLAKESBURG, IOWA

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CITY OF BLAKESBURG, IOWA

OFFICIALS  
JUNE 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jason Myers	Mayor	January 2015
Alan Bettis	Council Member	January 2017
Chuck Enlow	Council Member	January 2015
Bill Hinshaw	Council Member	January 2017
William Mitchell	Council Member	January 2017
Vicki Willey	Council Member	January 2015
Donna Thompson	Clerk	Appointed
Victoria Siegel	Attorney	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members  
of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Blakesburg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Blakesburg, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at June 30, 2010.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at June 30, 2010, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Blakesburg, Iowa as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The City's financial statements for the year ended June 30, 2011 have been restated. A description of the nature of the restatement is described in Note 9.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2013 on our consideration of the City of Blakesburg, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 19 through 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Blakesburg, Iowa's basic financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO., P.C.

Ottumwa, Iowa  
July 31, 2012, except for Exhibits A, B and C and  
Notes 2, 7, 8, 9 and 10, as to which the date is  
May 23, 2013.

# **CITY OF BLAKESBURG, IOWA**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **JUNE 30, 2011**

The City of Blakesburg, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

#### **2011 FINANCIAL HIGHLIGHTS**

- Receipts from the City's governmental activities increased 46.0% or \$80,079 from fiscal year 2010 to fiscal 2011.
- Disbursements of the City's governmental activities increased 34.6% or \$63,388 from fiscal 2010 to fiscal 2011. Public safety disbursements increased \$58,262 while culture and recreation expenditures decreased \$6,596, public works disbursements increased \$7,571, and general government disbursements increased \$4,567.
- The City's total cash basis net assets increased 13.4% or \$9,564 from June 30, 2010 to June 30, 2011. Of this amount, the net assets of the governmental activities increased \$7,550 and the net assets of the business type activities increased by \$2,014. This increase is due primarily to a decrease in sewer fund expenditures.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's indebtedness.

#### **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets - Cash Basis reports information that helps answer this question.

The Statement of Activities and Net Assets - Cash Basis presents the City's cash basis net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets - Cash Basis is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sewer and garbage funds. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three enterprise Funds to provide separate information for the water, sewer, and garbage funds, all three are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$59,755 to \$67,305. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

## Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
<b>Receipts and transfers in:</b>		
Program receipts:		
Charges for service	\$ 11,060	\$ 20,176
Operating grants, contributions and restricted interest	66,509	51,236
Capital grants, contributions and restricted interest	58,675	-
General receipts:		
Property tax	67,857	63,490
Local option sales tax	39,615	35,440
Other general receipts	113	3,852
Transfers in	<u>10,444</u>	<u>-</u>
<b>Total receipts and transfers in</b>	<b><u>254,273</u></b>	<b><u>174,194</u></b>
<b>Disbursements:</b>		
Public safety	88,765	30,503
Public works	58,681	51,110
Culture and recreation	18,980	25,576
General government	53,980	49,413
Debt service	<u>26,317</u>	<u>26,733</u>
<b>Total disbursements</b>	<b><u>246,723</u></b>	<b><u>183,335</u></b>
Net change in cash basis net assets	7,550	(9,141)
Cash basis net assets beginning of year	<u>59,755</u>	<u>68,896</u>
Cash basis net assets end of year	\$ <u>67,305</u>	\$ <u>59,755</u>

The City's total receipts and transfers in for governmental activities increased 46.0% or \$80,079. The increase was primarily the result of proceeds from grants received by the City during the current year.

The total cost (disbursements) of all programs and services increased by \$63,388 or 34.6%. The increase in disbursements was primarily the result of more expenditures for public safety during the current year.



## Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30,	
	<u>2011</u>	<u>2010</u>
<b>Receipts:</b>		
Program receipts:		
Water	\$ 48,954	\$ 45,930
Sewer	25,517	26,833
Garbage	<u>17,750</u>	<u>17,952</u>
<b>Total receipts</b>	<b><u>92,221</u></b>	<b><u>90,715</u></b>
<b>Disbursements and transfers out:</b>		
Water	41,947	48,525
Sewer	19,038	38,223
Garbage	18,778	18,130
Transfers out	<u>10,444</u>	<u>-</u>
<b>Total disbursements and transfers out</b>	<b><u>90,207</u></b>	<b><u>104,878</u></b>
Net change in cash basis net assets	2,014	(14,163)
Cash basis net assets beginning of year	<u>11,397</u>	<u>25,560</u>
Cash basis net assets end of year	\$ <u>13,411</u>	\$ <u>11,397</u>

Total business type activities receipts for the fiscal year increased \$1,506 or 1.7%. The increase in receipts was primarily the result of an increase in water collections.

Total business type activities disbursements and transfers out decreased \$14,671 or 14.0%. This resulted primarily from a decrease in expenditures by the Sewer Fund.

### INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Blakesburg, Iowa completed the year, its governmental funds reported a combined fund balance of \$67,305, an increase of 12.6% from last year's total of \$59,755. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$3,386 from the prior year to \$59,629 due to an increase in receipts in the current year.
- The Road Use Tax Fund cash balance increased \$2,789 from the prior year to \$6,761 due to a decrease in expenditures in the current year.
- The Debt Service Fund cash balance increased \$328 from the prior year to \$(132) due to receipts and transfers in exceeding expenditures in the current year.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

As the City of Blakesburg, Iowa completed the year, its proprietary funds reported a combined fund balance of \$13,411, an increase of 17.7% from last year's total of \$11,397. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The Water Fund cash balance decreased \$600 to \$(4,114) due to an increase in transfers out.
- The Sewer Fund cash balance increased \$3,642 to \$18,642 due to a decrease in expenditures.
- The Garbage Fund cash balance decreased \$1,028 to \$(1,117), due to an increase in expenditures.

### BUDGETARY HIGHLIGHTS

During the year ended June 30, 2011, the City did not amend its budget. The City exceeded its budget in the public safety, public works, general government and debt service functions.

## DEBT ADMINISTRATION

At June 30, 2011 the City had \$96,240 in notes payable, compared to \$117,536 last year, as shown below.

### Outstanding Debt at Year End

	Year ending June 30,	
	<u>2011</u>	<u>2010</u>
Water revenue notes	\$ -	\$ 4,216
Fire Truck note	6,240	8,320
Municipal Building note	<u>90,000</u>	<u>105,000</u>
	\$ <u>96,240</u>	\$ <u>117,536</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. At June 30, 2011, the City had \$96,240 in general obligation debt outstanding and its constitutional debt limit was \$205,096.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Blakesburg, Iowa's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

Inflation in the Midwest is somewhat higher than the national Consumer Price Index. The Midwest had a CPI increase of 5.25% for fiscal year 2011 compared with the national increase of 3.52%. Inflation has increased in part due to the state of the economy.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for expenditure in FY 2012 are expected to increase \$11,831 compared to the final FY 2011 budget. Expenditures in the FY 2012 budget are expected to increase \$11,831 compared to the final FY 2011 budget.

## CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Donna Thompson, City Clerk, 101 East State Street, Blakesburg, Iowa 52536.

## BASIC FINANCIAL STATEMENTS

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CITY OF BLAKESBURG, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs			Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	<u>Disbursements</u>	<u>Charges for Service</u>		
Governmental activities:				
Public safety	\$ 88,765	\$ 7,047	\$ 34,354	\$ 58,675
Public works	58,681	-	27,783	-
Culture and recreation	18,980	4,013	4,372	-
General government	53,980	-	-	-
Debt service	26,317	-	-	-
Total governmental activities	<u>246,723</u>	<u>11,060</u>	<u>66,509</u>	<u>58,675</u>
Business type activities:				
Water	41,947	48,954	-	-
Sewer	19,038	25,517	-	-
Garbage	18,778	17,750	-	-
Total business type activities	<u>79,763</u>	<u>92,221</u>	<u>-</u>	<u>-</u>
Total	\$ <u>326,486</u>	\$ <u>103,281</u>	\$ <u>66,509</u>	\$ <u>58,675</u>
General receipts:				
Property tax levied for:				
General purposes				
Debt service				
Other purposes				
Local option sales tax				
Unrestricted interest on investments				
Transfers				
Total general receipts				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<u>Cash Basis Net Assets</u>				
Restricted:				
Expendable:				
Other purposes				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

---

Governmental Activities	Business Type Activities	Total
\$ 11,311	\$ -	\$ 11,311
(30,898)	-	(30,898)
(10,595)	-	(10,595)
(53,980)	-	(53,980)
<u>(26,317)</u>	<u>-</u>	<u>(26,317)</u>
<u>(110,479)</u>	<u>-</u>	<u>(110,479)</u>
-	7,007	7,007
-	6,479	6,479
-	<u>(1,028)</u>	<u>(1,028)</u>
-	<u>12,458</u>	<u>12,458</u>
<u>(110,479)</u>	<u>12,458</u>	<u>(98,021)</u>
40,335	-	40,335
22,037	-	22,037
5,485	-	5,485
39,615	-	39,615
113	-	113
<u>10,444</u>	<u>(10,444)</u>	<u>-</u>
<u>118,029</u>	<u>(10,444)</u>	<u>107,585</u>
7,550	2,014	9,564
<u>59,755</u>	<u>11,397</u>	<u>71,152</u>
\$ <u>67,305</u>	\$ <u>13,411</u>	\$ <u>80,716</u>
\$ 7,808	\$ -	\$ 7,808
<u>59,497</u>	<u>13,411</u>	<u>72,908</u>
\$ <u>67,305</u>	\$ <u>13,411</u>	\$ <u>80,716</u>

## CITY OF BLAKESBURG, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	General	Special Revenue	Debt Service	Other Non-Major Governmental Funds Special Revenue Employee Benefits	Total
<b>RECEIPTS:</b>					
Property tax	\$ 40,335	\$ -	\$ 22,037	\$ 5,485	\$ 67,857
Other City tax	39,615	-	-	-	39,615
Licenses and permits	659	-	-	-	659
Use of money and property	1,218	-	-	-	1,218
Intergovernmental	63,047	26,861	-	-	89,908
Charges for service	9,296	-	-	-	9,296
Miscellaneous	34,354	922	-	-	35,276
Total receipts	<u>188,524</u>	<u>27,783</u>	<u>22,037</u>	<u>5,485</u>	<u>243,829</u>
<b>DISBURSEMENTS:</b>					
Operating:					
Public safety	88,765	-	-	-	88,765
Public works	33,687	24,994	-	-	58,681
Culture and recreation	18,980	-	-	-	18,980
General government	53,980	-	-	-	53,980
Debt service	-	-	26,317	-	26,317
Total disbursements	<u>195,412</u>	<u>24,994</u>	<u>26,317</u>	<u>-</u>	<u>246,723</u>
Excess (deficiency) of receipts over (under) disbursements	(6,888)	2,789	(4,280)	5,485	(2,894)
Other financing sources (uses):					
Operating transfers in	10,274	-	4,608	-	14,882
Operating transfers out	-	-	-	(4,438)	(4,438)
Total other financing sources (uses)	<u>10,274</u>	<u>-</u>	<u>4,608</u>	<u>(4,438)</u>	<u>10,444</u>
Net change in cash balances	3,386	2,789	328	1,047	7,550
<b>CASH BALANCES - Beginning of year</b>	<u>56,243</u>	<u>3,972</u>	<u>(460)</u>	<u>-</u>	<u>59,755</u>
<b>CASH BALANCES - End of year</b>	<u>\$ 59,629</u>	<u>\$ 6,761</u>	<u>\$ (132)</u>	<u>\$ 1,047</u>	<u>\$ 67,305</u>
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Other purposes	\$ -	\$ 6,761	\$ -	\$ 1,047	\$ 7,808
Unassigned	<u>59,629</u>	<u>-</u>	<u>(132)</u>	<u>-</u>	<u>59,497</u>
Total cash basis fund balances	<u>\$ 59,629</u>	<u>\$ 6,761</u>	<u>\$ (132)</u>	<u>\$ 1,047</u>	<u>\$ 67,305</u>

## CITY OF BLAKESBURG, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
<u>Operating receipts:</u>				
Charges for service	\$ <u>48,954</u>	\$ <u>25,517</u>	\$ <u>17,750</u>	\$ <u>92,221</u>
<u>Operating disbursements:</u>				
Business type activities	<u>41,947</u>	<u>19,038</u>	<u>18,778</u>	<u>79,763</u>
Excess (deficiency) of receipts over (under) disbursements	7,007	6,479	(1,028)	12,458
<u>Other financing uses:</u>				
Operating transfers out	<u>(7,607)</u>	<u>(2,837)</u>	<u>-</u>	<u>(10,444)</u>
Net change in cash balances	(600)	3,642	(1,028)	2,014
<u>CASH BALANCES</u> - Beginning of year	<u>(3,514)</u>	<u>15,000</u>	<u>(89)</u>	<u>11,397</u>
<u>CASH BALANCES</u> - End of year	\$ <u>(4,114)</u>	\$ <u>18,642</u>	\$ <u>(1,117)</u>	\$ <u>13,411</u>
<u>Cash Basis Fund Balances</u>				
Unrestricted	\$ <u>(4,114)</u>	\$ <u>18,642</u>	\$ <u>(1,117)</u>	\$ <u>13,411</u>

CITY OF BLAKESBURG, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Blakesburg, Iowa is a political subdivision of the State of Iowa located in Wapello County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Blakesburg, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

The City of Blakesburg, Iowa's financial statements do not include any component units that meet GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wapello County Assessor's Conference Board, Wapello County E-911 Joint Service Board and Wapello County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement – The Statement of Activities and Net Assets – Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.



CITY OF BLAKESBURG, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets – Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Garbage Fund is used to account for the operation and maintenance of the City's solid waste collection system.

CITY OF BLAKESBURG, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The City of Blakesburg, Iowa maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement from governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the City applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

CITY OF BLAKESBURG, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 2: CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTE 3: NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2012	\$ 17,080	\$ 4,086
2013	17,080	3,354
2014	17,080	2,633
2015	15,000	1,913
2016	15,000	1,278
2017	15,000	638
Total	\$ 96,240	\$ 13,902

NOTE 4: PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2011 was \$3,465 equal to the required contributions for the year.

NOTE 5: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, compensatory time, casual hours and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time and sick leave payments payable to employees at June 30, 2011, was \$0.

NOTE 6: RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

CITY OF BLAKESBURG, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 6: RISK MANAGEMENT(continued)

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$7,307.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workman's compensation in the amount of \$2,842. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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NOTE 7: DEFICIT BALANCE

The water tax fund, debt service fund and garbage fund had deficit fund balances of \$4,114, \$132 and \$1,117, respectively at June 30, 2011. The deficits will be eliminated upon receipt of state road use tax, property taxes or program receipts.

CITY OF BLAKESBURG, IOWA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE 8: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$ 4,438
	Business -- Type:	
	Sewer	2,837
	Water	<u>2,999</u>
		<u>10,274</u>
Debt Service	Business - Type	
	Water	<u>4,608</u>
		\$ <u>14,882</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 9: RESTATEMENT OF FINANCIAL STATEMENTS

The City's previously issued financial statements for the year ended June 30, 2011 were reissued due to a material amount of unrecorded transfers, and expense reclassifications between funds discovered subsequent to issuance. Adjustments have been made to the City's financial statements as follows:

	<u>General</u>	<u>Governmental</u>	<u>Debt</u>	<u>Employee</u>	<u>Business Type</u>		
		<u>Road</u>	<u>Service</u>	<u>Benefits</u>	<u>Water</u>	<u>Sewer</u>	
		<u>Use</u>					
Transfers	\$ 10,274	\$ -	\$ 4,608	\$ (4,438)	\$ (7,607)	\$ (2,837)	
Expense reclassification	<u>24,132</u>	<u>(24,132)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Increase (decrease) net assets/Fund balance end of year	\$ <u>(13,858)</u>	\$ <u>24,132</u>	\$ <u>4,608</u>	\$ <u>(4,438)</u>	\$ <u>(7,607)</u>	\$ <u>(2,837)</u>	

In addition, the condensed financial statements in the government-wide financial analysis section of Management's Discussion and Analysis and Notes to the Financial Statements 2, 7, 8 and 10 were revised and/or added.

NOTE 10: SUBSEQUENT EVENTS

The City has evaluated subsequent events through July 31, 2012 the date statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BLAKESBURG, IOWA

BUDGETARY COMPARISON SCHEDULE  
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
<u>RECEIPTS:</u>		
Property tax	\$ 67,857	\$ -
Other City tax	39,615	-
License and permits	659	-
Use of money and property	1,218	-
Intergovernmental	89,908	-
Charges for service	9,296	92,221
Miscellaneous	35,276	-
Total receipts	<u>243,829</u>	<u>92,221</u>
<u>DISBURSEMENTS:</u>		
Public safety	88,765	-
Public works	58,681	-
Culture and recreation	18,980	-
General government	53,980	-
Debt service	26,317	-
Business type activities	-	79,763
Total disbursements	<u>246,723</u>	<u>79,763</u>
Excess (deficiency) of receipts over (under) disbursements	(2,894)	12,458
Other financing sources (uses)	<u>10,444</u>	<u>(10,444)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>7,550</u>	<u>2,014</u>
<u>BALANCES</u> - Beginning of year	<u>59,755</u>	<u>11,397</u>
<u>BALANCES</u> - End of year	\$ <u>67,305</u>	\$ <u>13,411</u>

<u>Total</u>	<u>Budgeted Amounts Original/Final</u>	<u>Final to Total Variance</u>
\$ 67,857	\$ 65,080	\$ 2,777
39,615	39,580	35
659	800	(141)
1,218	900	318
89,908	59,700	30,208
101,517	101,000	517
<u>35,276</u>	<u>10,121</u>	<u>25,155</u>
<u>336,050</u>	<u>277,181</u>	<u>58,869</u>
88,765	42,500	(46,265)
58,681	44,700	(13,981)
18,980	23,000	4,020
53,980	49,105	(4,875)
26,317	21,876	(4,441)
<u>79,763</u>	<u>96,000</u>	<u>16,237</u>
<u>326,486</u>	<u>277,181</u>	<u>(49,305)</u>
9,564	-	9,564
<u>-</u>	<u>-</u>	<u>-</u>
<u>9,564</u>	<u>-</u>	<u>9,564</u>
<u>71,152</u>	<u>94,455</u>	<u>(23,303)</u>
\$ <u>80,716</u>	\$ <u>94,455</u>	\$ <u>(13,739)</u>



CITY OF BLAKESBURG, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety, public works, general government and debt service functions.

## OTHER SUPPLEMENTARY INFORMATION

CITY OF BLAKESBURG, IOWA

SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>
General Obligation Notes:			
Fire Truck Note	6/30/2004	4.00	\$ 20,800
Municipal Building Note	8/11/2006	4.25	150,000
Water Revenue Notes	9/5/2001	9.30	35,000

SCHEDULE 1

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 8,320	\$ -	\$ 2,080	\$ 6,240	\$ 166	\$ -
105,000	-	15,000	90,000	4,463	-
4,216	-	4,216	-	392	-
<u>\$ 117,536</u>	<u>\$ -</u>	<u>\$ 21,296</u>	<u>\$ 96,240</u>	<u>\$ 5,021</u>	<u>\$ -</u>

## CITY OF BLAKESBURG, IOWA

NOTE MATURITIES  
JUNE 30, 2011

	<u>Municipal Building Note</u>		<u>Fire Truck Note</u>		<u>Total</u>
<u>Year Ending June 30,</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Amount</u>
2012	4.25 %	\$ 15,000	4.00 %	\$ 2,080	\$ 17,080
2013	4.25	15,000	4.00	2,080	17,080
2014	4.25	15,000	4.00	2,080	17,080
2015	4.25	15,000	-	-	15,000
2016	4.25	15,000	-	-	15,000
2017	4.25	<u>15,000</u>	-	<u>-</u>	<u>15,000</u>
Total		\$ <u>90,000</u>		\$ <u>6,240</u>	\$ <u>96,240</u>

## CITY OF BLAKESBURG, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
ALL GOVERNMENTAL FUNDS

FOR THE LAST YEAR

2011

RECEIPTS:

Property tax	\$ 67,857
Other City tax	39,615
Licenses and permits	659
Use of money and property	1,218
Intergovernmental	89,908
Charges for service	9,296
Miscellaneous	<u>35,276</u>
Total	\$ <u>243,829</u>

DISBURSEMENTS:

Operating:	
Public safety	\$ 88,765
Public works	58,681
Culture and recreation	18,980
General government	53,980
Debt service	<u>26,317</u>
Total	\$ <u>246,723</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Blakesburg, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 31, 2012, except for Exhibits A,B and C and Notes 2,7,8,9 and 10, as to which the date is May 23, 2013. Our report expressed qualified opinions on the financial statements which were prepared in conformity with other comprehensive basis of accounting since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Blakesburg, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Blakesburg, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Blakesburg, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Bakesburg, Iowa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as item II-A-11 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-B-11, II-C-11, II-D-11, II-E-11, II-F-11, II-G-11 and II-H-11 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Blakesburg, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Blakesburg, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Blakesburg, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Blakesburg, Iowa and other parties to whom the City of Blakesburg, Iowa may report including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Blakesburg, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
July 31, 2012, except for Exhibits A, B and C  
and Notes 2, 7, 8, 9 and 10, as to which the  
Date is May 23, 2013.



CITY OF BLAKESBURG, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part I: Summary of the Independent Auditor's Results

- a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

- II-A-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the general ledger are all done by the same person. In addition, check writing, signing of checks and posting of the disbursements to the general ledger are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will look into this and make changes, if possible.

Conclusion – Response accepted.

- II-B-11 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – We will consider this.

Conclusion – Response accepted.

- II-C-11 Credit Cards – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – The credit card accounts have been closed and the cards destroyed.

Conclusion – Response accepted.

CITY OF BLAKESBURG, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part II: Findings Related to the Financial Statements (Continued)

- II-D-11 Fund Balance Classifications – The City's annual financial report did not include the new fund balance classifications required by GASB 54.

Recommendation – The City should consider revising their annual financial report to comply with GASB 54.

Response – We will do so.

Conclusion – Response accepted.

- II-E-11 Payroll Payments – The City pays payroll prior to Council approval.

Recommendation – Payroll should be approved by the Council prior to payment or the City should adopt a policy that allows for approval after the payroll has been paid.

Response – We will do so.

Conclusion – Response accepted.

- II-F-11 Delinquency Listing – The City does not maintain a listing of delinquent utility billings.

Recommendation – The City should print out and maintain a delinquency listing of utility billings to make sure that all billings are collected.

Response – We will consider this.

Conclusion – Response accepted.

- II-G-11 Mileage Payments – During the audit, it was determined that the City was reimbursing City employees for mileage without a proper mileage reimbursement form being completed.

Recommendation – The City's policy is that mileage should only be reimbursed upon completion of a mileage reimbursement form. The City should follow it's policy.

Response – We will do so.

Conclusion – Response accepted.

- II-H-11 Mayor Payroll – During the audit, it was determined that the City reimbursed the mayor \$125 per quarter plus \$25 for each council meeting attended.

Recommendation – City ordinance states that the Mayor be reimbursed \$500 per year. The City should follow it's ordinance. The City should consider pursuing reimbursement from the former mayor.

Response – The City attorney has been consulted and the City decided not to seek reimbursement.

Conclusion – The City may want to review Code of Iowa, Section 372.13.8 in regard to this item.

CITY OF BLAKESBURG, IOWA

SCHEDULE OF FINDINGS  
YEAR ENDED JUNE 30, 2011

Part III: Other Findings Related to Required Statutory Reporting

- III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, public works, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- III-B-11 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- III-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- III-D-11 Business Transactions – No business transactions between the City and City officials or employees were noted.

- III-E-11 Bond Coverage – The City does not currently have any surety bond coverage on any City employees or officials.

Recommendation – The Code of Iowa Chapter 64 requires surety bond coverage for certain City employees and/or officials. The City should consult the City Attorney to determine who should be covered and the amount of bond required, and obtain surety bond coverage.

Response – We will do so.

Conclusion – Response accepted.

- III-F-11 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

- III-G-11 Deposits and Investments – An instance of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investments policy was noted. The City does not have a written investment policy.

Recommendation – The City should adopt a written investment policy that details the types of investments the City can invest in and that complies with the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

- III-H-11 Financial Condition – The Water Fund, Debt Service Fund and Garbage Fund had deficit balances at June 30, 2011.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.

- III-I-11 Revenue Bonds and Notes – No instances of non-compliance with revenue bond and note resolutions were noted.